



**STATE OF VERMONT**  
**OFFICE OF THE STATE TREASURER**

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**Teachers' Board Moves to End Controversial Retirement Practice**

Montpelier – A controversial retirement practice utilized by some senior level educators is likely to come to an end next year. The Board of Trustees of the Vermont State Teachers Retirement System voted last week to develop and implement a policy to close a loop-hole that some educators have used to retire and collect their pensions, while working full-time in the same position they retired from and without making further contributions to the retirement system.

“We needed to take action because if more and more retired educators start doing this, it could become the normal way of doing business and that would threaten the financial health of the system,” said Joe Mackey, Chair of the Teachers’ Retirement Board.

That Board voted last week to require, beginning July 1, 2004, that all retired beneficiaries of the system working in Vermont school districts attain a Determination of Worker Status Report, Form **SS-8**, from the Internal Revenue Service to document that they are in compliance with State law, which provides specific earning restrictions for beneficiaries of the system who return to service in the Vermont public school system.

According to Mackey, the Board voted to make the new policy effective July 2004 in order to allow adequate time for school districts and educators to plan ahead.

In addition, State Treasurer Jeb Spaulding, a member of the Teachers’ Retirement Board, announced that his office will create a working group to make suggestions on how the retirement process can be revised to allow long-time educators to continue working in a way that is both equitable and sustainable.

Spaulding explained, “The problem with this practice is that it encourages people to retire sooner and draw benefits, while filling a position that is no longer paying into the system. Over time this has the potential to undermine the foundation of the teachers’ retirement system.” “On the other hand,” he added, “we need to acknowledge that the current system doesn’t adequately recognize the situation of some very experienced educators whom we would like to keep in our schools.”

The arrangement has primarily been used by superintendents, but, according to Board members, they have been presented with examples where principals and teachers have also become independent consultants or corporations to take advantage of the retirement loop-hole.

Cynthia Webster, Director of Vermont's State Retirement System, said this issue is one of the hottest retirement issues being addressed by retirement systems around the country.

"We are not alone in having to address this issue and I appreciate that the Board and Treasurer have stepped up to the plate. I believe it will be possible to protect the integrity of the system while recognizing the needs of school districts and senior educators," stated Webster.

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